

IRON COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2005

IRON COUNTY SCHOOL DISTRICT

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FINANCIAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

Independent Auditor's Report

Board of Education
Iron County School District
Cedar City, UT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Iron County School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Iron County School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Iron County School District as of June 30, 2005, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2005 on our consideration of Iron County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iron County School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Iron County School District. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 28, 2005

Management's Discussion and Analysis

This section of Iron School District's (District) comprehensive annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2005. This report is in conjunction with the District's financial statements.

Financial Highlights

- The District's assets (net of depreciation) exceeded liabilities by \$24,018,976 at the close of the most recent fiscal year.
- During the year, expenses were \$168 thousand less than the \$51.7 million generated in taxes and other revenues for governmental activities. The revenues met or exceeded the adopted budgeted amounts, and the expenditures were less than the adopted budgeted amounts.
- Property tax revenues increased as a result of increases in taxable value of property and the receipt of additional motor vehicle fees. This happened in spite of the fact that the district slightly reduced the overall tax rate this year.
- At the close of the current year, the District governmental funds reported combined ending fund balances of \$15.7 million as compared with \$14.5 million at the end of last year.
- The District's total debt decreased by \$4.1 million during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Refer to the table of contents for the location of the government-wide financial statements.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses an agency fund to account for resources held for student activities and groups. Refer to the table of contents for the location of the basic fiduciary fund financial statements.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements. Refer to the table of contents for the location of the notes to the financial statements.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Refer to the table of contents for the location of combining and individual fund statements and schedules.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$24,018,976 at the close of the most recent fiscal year.

IRON SCHOOL DISTRICT'S Net Assets

	<u>Governmental</u> <u>Activities</u> <u>2005</u>	<u>Governmental</u> <u>Activities</u> <u>2004</u>	<u>Total</u> <u>Change</u> <u>2005-2004</u>
Current and other assets	\$38,495,128	\$35,786,606	\$ 2,708,522
Capital assets	<u>58,252,103</u>	<u>59,705,621</u>	<u>(1,453,518)</u>
Total assets	<u>96,747,231</u>	<u>95,492,227</u>	<u>1,255,004</u>
Current and other liabilities	24,878,892	20,188,640	4,690,252
Long-term liabilities outstanding	<u>47,849,363</u>	<u>52,076,313</u>	<u>(4,226,950)</u>
Total Liabilities	<u>72,728,255</u>	<u>72,264,953</u>	<u>463,302</u>
Net assets:			
Invested in capital assets, net of related debt	10,402,740	7,025,442	3,377,298
Restricted	9,039,685	6,348,100	2,691,585
Unrestricted	<u>4,576,551</u>	<u>9,853,732</u>	<u>(5,277,181)</u>
Total net assets	<u>\$24,018,976</u>	<u>\$23,227,274</u>	<u>\$791,702</u>

- 43% of the District's net assets reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment net of accumulated depreciation), less any related debt (general obligation bonds payable

and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- A portion of the District's net assets (37%) represents resources that are subject to external restrictions on how they may be used.
- The remaining balance of unrestricted net assets (20%) may be used to meet the District's obligations to students, employees, and creditors, and to honor next year's budget.

At the end of the current fiscal year, the district is able to report positive balances in all three categories of net assets.

Governmental funds. Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The \$10.6 million fund balance of the general fund is primarily designated for the following purposes:

- *Designation for undistributed reserve* of \$1.2 million or 3.1% of general fund budgeted expenditures. As allowed by state law, the District has established an undistributed reserve within the general fund; this amount is set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in establishing the District's bond rating.
- *Designation for state categorical program balances.* The district has designated a portion of the general fund's unreserved fund balance for state categorical programs (\$2.8 million) with fund balances at the end of this fiscal year that must be appropriated in the next fiscal year.
- *Designation for special projects.* The district has designated a portion of the general fund's unreserved fund balance for special instructional projects (\$4.1 million) supporting the education process of the students and staff, including such things as technology, staff development, curriculum alignment, and additional textbooks and supplies.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$745 thousand or 1.9% in total general fund expenditures. The most significant differences may be summarized as follows:

- \$147 thousand increase in instructional services, to reflect personnel adjustments and an increase in contracted services.
- \$76 thousand decrease in supporting services-students to reflect personnel adjustments and decreases in contracted services.
- \$438 thousand increase in supporting services-instructional staff, to reflect personnel adjustments, increases in contracted services, and increases in media supplies and materials.
- \$275 thousand increase in supporting services-operation and maintenance of facilities, to reflect personnel adjustments, increases in supply costs, and increased energy costs.

During the year, final budgeted revenues exceeded original budgetary estimates by \$2.5 million to account for increases in federal and state aid.

Even with these adjustments, actual expenditures were \$124 thousand below final budgeted amounts. The most significant positive variances were \$76 thousand in supporting services-students and \$20 thousand in supporting services-student transportation. On the other hand, resources available for appropriation were \$498 thousand below the final budgeted amount. Variances primarily result from expenditure-driven federal and state grants that are included in the budget. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget.

Capital Asset and Debt Administration

Capital Assets. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2005 is outlined below:

IRON SCHOOL DISTRICT Capital Assets (net of accumulated depreciation)

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>	<u>Total Change 2005-2004</u>
Land	\$4,421,468	\$4,421,468	\$0
Buildings and improvements	51,161,004	52,810,095	(1,649,091)
Furniture and equipment	<u>2,669,631</u>	<u>2,474,058</u>	<u>195,573</u>
Total capital assets	<u>\$58,252,103</u>	<u>\$59,705,621</u>	<u>(1,453,518)</u>

Additional information on the District's capital assets can be found in the notes to the basic financial statements.

Debt Administration. At the end of the current year, the District had total bonded debt outstanding of \$47.5 million. The entire debt is general obligation debt.

IRON SCHOOL DISTRICT Outstanding Debt (in millions of dollars)

	<u>Governmental activities 2005</u>	<u>2004</u>	<u>Total Change 2005-2004</u>
General Obligation Bonds	\$47.5	\$ 51.6	\$(4.1)

The general obligation bonded debt of the District is limited by state law to four percent of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 is \$130,685,350. General obligation debt at June 20, 2005 is \$47,450,000, resulting in a legal debt margin of \$83,235,350.

Although it is not unusual at the national level to have a 30-year bond payoff schedule, the district maintains an aggressive schedule paying off debt by 2014.

Additional information on the District's long-term debt can be found in the notes to the basic financial statements.

Changing Enrollment within the District

The District has had a steady growth averaging 3% per year for the past ten years. This growth is made up of two components. The components are in-migration of students and the kindergarten to grade twelve (K-12) differential. The K-12 differential is the size of the grade twelve leaving, and the size of the kindergarten grade entering the District in a given year. District growth occurs when the number of kindergarten students entering the system exceeds the grade twelve students leaving the system in a given fiscal year.

The current comparison of grade twelve to the projected incoming kindergarten for the next few years indicates a growth of approximately 100-150 students per year. The District continues to see some in-migration due to its proximity to Southern Nevada and Southern California. There is a general trend of people leaving those areas and re-locating in our District. The District has experienced a growth rate of approximately 4% for the past two years.

With the higher enrollment increases in the past two years and an enrollment increase of over 6% this coming year, the District voters have passed additional bonding for \$23,500,000 to build two new elementary schools, a pre-school, and an addition to our intermediate school. The District will change the grade configuration to have two middle schools rather than one middle school and one intermediate school. With the additional buildings and the grade configuration change, we anticipate meeting our building needs for the next few years. However, our growth rate for this coming year jumped to 6.5%. If this growth rate continues into the future we will need additional elementary buildings at an earlier date. We are prepared to bring portable units on campuses in order to delay additional bonding until absolutely necessary.

Requests for Information

This financial report is designed to provide a general overview of the Iron School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Iron School District, 2077 West Royal Hunte Drive, Cedar City, UT 84720.



BASIC FINANCIAL STATEMENTS

IRON COUNTY SCHOOL DISTRICT**Statement of Net Assets**

June 30, 2005

	Governmental Activities
Assets:	
Cash and investments	\$ 17,581,481
Receivables:	
Property taxes	15,172,606
Other governments - SWATC	1,202,842
Other	4,251,885
Inventories	286,315
Capital assets:	
Land	4,421,468
Other capital assets, net of depreciation	53,830,635
Total assets	<u>96,747,231</u>
Liabilities:	
Cash with Negative Balances	4,567,994
Accounts payable	1,210,585
Accrued interest	1,006,831
Accrued salaries	1,887,493
Compensated absences payable	2,261,918
Deferred revenue:	
Property taxes	13,944,072
Noncurrent liabilities:	
Due within one year	4,480,000
Unamortized bond premium	399,363
Due in more than one year	42,970,000
Total liabilities	<u>72,728,255</u>
Net Assets:	
Invested in capital assets, net of related debt	10,402,740
Restricted for:	
Special Transportation	2,511,509
Tort Liability	356,678
Special Education	813,012
Other Grant Related Purposes	1,575,331
Capital projects	2,400,000
Debt service	1,383,155
Unrestricted	4,576,551
Total net assets	<u>\$ 24,018,976</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Instructional services	\$ 31,989,934	\$ 234,771	\$ 8,173,115	\$ 3,226,331	\$ (20,355,717)
Supporting services:					
Students	1,351,339		423,587		(927,752)
Instructional staff	1,855,219		610,729		(1,244,490)
District administration	979,479		127,523		(851,956)
School administration	2,637,006		851,683		(1,785,323)
Business	881,470		275,220		(606,250)
Operation and maintenance of facilities	4,709,680		1,435,265		(3,274,415)
Transportation	2,076,142	1,342	589,147	1,184,836	(300,817)
Community Services	337,688	238,519			(99,169)
School lunch services	2,185,467	725,571		1,411,422	(48,474)
Interest and fiscal charges	2,056,322				(2,056,322)
	<u>\$ 51,059,744</u>	<u>\$ 1,200,203</u>	<u>\$ 12,486,269</u>	<u>\$ 5,822,589</u>	<u>\$ (31,550,683)</u>

General revenues:

Property taxes levied for:

General purposes	\$ 6,560,084
Transportation	382,386
Tort Liability	26,437
Recreation	503,364
Debt service	6,422,066
Capital outlay	2,132,768
Federal and state aid not restricted to specific purposes	15,200,636
Earnings on investments	460,535
Miscellaneous	654,109
Total general revenues	<u>32,342,385</u>
Change in net assets	791,702
Net assets - beginning	<u>23,227,274</u>
Net assets - ending	<u>\$ 24,018,976</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

IRON COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and investments	\$ 13,661,578	\$ 951,730	\$ 2,255,755	\$ 712,418	\$ 17,581,481
Inventories	215,785		-	70,530	286,315
Property taxes receivable	533,914	438,362	145,578	110,680	1,228,534
Receivables-other	3,317,494		554,801	379,590	4,251,885
Total assets	<u>\$ 17,728,771</u>	<u>\$ 1,390,092</u>	<u>\$ 2,956,134</u>	<u>\$ 1,273,218</u>	<u>\$ 23,348,215</u>
Liabilities and fund balances:					
Liabilities:					
Cash with Negative Balances	\$ 4,567,994	\$ -	\$ -	\$ -	\$ 4,567,994
Accounts payable	756,692	6,938	429,568	17,387	1,210,585
Accrued salaries	1,774,048	-	4,373	109,072	1,887,493
Total Liabilities	<u>7,098,734</u>	<u>6,938</u>	<u>433,941</u>	<u>126,459</u>	<u>7,666,072</u>
Fund Balances:					
Reserved for:					
Designated	6,881,178	1,383,154	2,400,000	275,588	10,939,920
Debt service	-				-
Unreserved:					
Designated for:					
Undistributed reserve	1,200,000		122,193		1,322,193
Inventories	215,785			70,530	286,315
Undesignated, reported in:					
General fund	2,333,074				2,333,074
Capital projects fund	-			800,641	800,641
Total fund balances	<u>10,630,037</u>	<u>1,383,154</u>	<u>2,522,193</u>	<u>1,146,759</u>	<u>15,682,143</u>
Total liabilities and fund balances	<u>\$ 17,728,771</u>	<u>\$ 1,390,092</u>	<u>\$ 2,956,134</u>	<u>\$ 1,273,218</u>	<u>\$ 23,348,215</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 15,682,143
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$76,629,954 and the accumulated depreciation is \$18,377,851.	58,252,103
To recognize interest accrual to year end. Accrued interest for general obligation bonds is \$1,006,831.	(1,006,831)
Long-Term Receivable under a capital financing lease with SWATC	1,202,842
Compensated absences payable	(2,261,918)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(47,849,363)</u>
Total net assets - governmental activities	<u><u>\$ 24,018,976</u></u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 6,968,907	\$ 6,422,066	\$ 2,132,768	\$ 503,364	\$ 16,027,105
Earnings on investments	323,600	15,503	81,397	1,215	421,715
Other local sources	761,189		14,982	1,049,993	1,826,164
State aid	26,501,052			805,282	27,306,334
Federal aid	4,662,851		-	1,494,353	6,157,204
Total revenues	39,217,599	6,437,569	2,229,147	3,854,207	51,738,522
Expenditures:					
Current:					
Instructional services	24,827,554			1,311,017	26,138,571
Supporting services:					
Students	1,286,735				1,286,735
Instructional staff	1,855,219				1,855,219
District administration	387,377				387,377
School administration	2,587,165				2,587,165
Business	836,039	6,158			842,197
Operation and maintenance of facilities	4,359,920				4,359,920
Transportation	1,789,659				1,789,659
Community Services				337,688	337,688
School lunch services				2,098,300	2,098,300
Capital outlay			3,662,186		3,662,186
Debt service:					
Principal retirement		4,120,000			4,120,000
Interest and fiscal charges		2,105,675			2,105,675
Total expenditures	37,929,668	6,231,833	3,662,186	3,747,005	51,570,692
Excess (deficiency) of revenues over (under) expenditures	1,287,931	205,736	(1,433,039)	107,202	167,830
Other financing sources (uses):					
Transfers in from Other Funds				-	0
Other financing sources					0
Lease Revenue					0
Payment to refunded bond escrow agent					-
Transfers out to Other Funds				-	0
Sale of capital assets			204,106		204,106
Total other financing sources (uses)	-	-	204,106	-	204,106
Net change in fund balances	1,287,931	205,736	(1,228,933)	107,202	371,936
Fund balances - beginning	9,342,106	1,177,418	3,751,126	1,039,557	15,310,207
Fund balances - ending	\$ 10,630,037	\$ 1,383,154	\$ 2,522,193	\$ 1,146,759	\$ 15,682,143

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds **\$ 371,936**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 759,787	
Depreciation expense	<u>(2,213,305)</u>	(1,453,518)

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General obligation refunding bond proceeds	-	
Bond premium	49,920	
Bonds retired	-	
Repayment of bond principal	4,120,000	
Interest expense - general obligation bonds	<u>(567)</u>	4,169,353

Long-term capital lease payment received from the Southwest Applied Technology College recorded as revenue as payments are received.

Repayment of lease principal	(130,000)	
Interest revenue	<u>38,819</u>	(91,181)

Capital lease obligations paid	57,030
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Compensated absences payable	(2,261,918)
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Change in net assets of governmental activities	<u>\$ 791,702</u>
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IRON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 6,733,366	\$ 6,900,173	\$ 6,968,907	\$ 68,734
Earnings on investments	200,000	323,601	323,600	(1)
Other local sources	200,000	685,866	761,189	75,323
State aid	26,284,578	26,580,189	26,501,052	(79,137)
Federal aid	3,734,786	5,226,562	4,662,851	(563,711)
Total revenues	37,152,730	39,716,391	39,217,599	(498,792)
Expenditures:				
Current:				
Instructional services	24,765,445	24,912,240	24,827,554	84,686
Supporting services:				
Students	1,363,189	1,287,444	1,286,735	709
Instructional staff	1,413,495	1,851,796	1,855,219	(3,423)
District administration	372,200	385,969	387,377	(1,408)
School administration	2,586,030	2,587,561	2,587,165	396
Business	855,529	835,825	836,039	(214)
Operation and maintenance of facilities	4,107,080	4,382,456	4,359,920	22,536
Transportation	1,845,795	1,810,484	1,789,659	20,825
Total expenditures	37,308,763	38,053,775	37,929,668	124,107
Excess of revenues over expenditures	(156,033)	1,662,616	1,287,931	(374,685)
Other financing sources (uses):				
Transfer out				-
Net change in fund balances	(156,033)	1,662,616	1,287,931	(374,685)
Fund balances - beginning	9,342,106	9,342,106	9,342,106	-
Fund balances - ending	<u>\$ 9,186,073</u>	<u>\$ 11,004,722</u>	<u>\$ 10,630,037</u>	<u>\$ (374,685)</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2005

	<u>Student Activities Fund</u>
Assets:	
Cash and investments	<u>\$ 424,648</u>
Liabilities	
Due to student groups	<u>\$ 424,648</u>
Total liabilities	<u>\$ 424,648</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Iron County School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity – The Board of Education is the primary governing authority for the District. In accordance with GAAP, the District has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause financial statements of the District to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria are included in Governmental Accounting Standards Board Statement No. 14 and include appointing a voting majority of an organization's governing body and the ability of the District to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

Based upon the criteria established by Governmental Accounting Standards Board Statement No. 14, no component units were deemed to exist at June 30, 2005 and no component unit information is included in this report. The District is not a component unit of any other primary government.

The Iron County School District acts as fiscal agent for the Southwest Educational Development Center (SEDC) and the Southwest Applied Technology College (SWATC). The District has concluded that the SEDC meets the definition of a joint venture with an ongoing financial responsibility. SEDC and SWATC prepare separate financial statements and transactions of these entities are not included with those of the District.

Further information concerning SEDC is included in Note 9 of the footnotes to the District's financial statements.

Government-wide and fund financial statements – The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation – The government-wide financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to early retirement, and postemployment healthcare benefits, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments of general obligation, bond principal and interest due annually.
- The *capital project funds* account for financial resources to be used for the acquisition or construction of major capital facilities.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the District reports the following types of funds:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf of student groups.

Amounts reported as *program revenues* include 1) charges to students for tuition, fees, rental, material, supplies, or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted at the District level for the Student Activities Agency Fund. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Minor interim adjustments in estimated revenue and appropriations during the fiscal year, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

An encumbrance accounting system, in which purchase orders for the expenditure of funds are recorded to restrict that portion of the applicable appropriation, is not used by the District. Appropriations outstanding at the end of the fiscal year lapse with the exception of those indicated as a fund balance reserve. The District intends to honor these commitments and provides for their expenditure in the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

Deposits and Investments – The District's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., current portion of interfund loans).

Inventories – Inventories are valued at cost, using the moving average method with the exception of the treatment of donated inventories described below. The consumption method of accounting is applied to the inventories of all funds.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories of donated United States department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenue and expenditure on the operating statement.

Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extended its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Building and Improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements and portable classrooms	20
Maintenance Equipment	15
Vocational education equipment	15
Buses	10
Musical instruments	10
Furniture	10
Office equipment	10
Athletic equipment	8
Vehicles	8
Audio visual equipment	6
Computer equipment	3

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences – The District has the following policies regarding vacation and sick leave.

Vacation -

Vacations are available only to personnel who are on twelve month contracts and who work eight or more hours per day. Vacation time is earned on a fiscal year basis, July 1 through June 30.

Two weeks vacation time is earned annually up to and including the tenth year of service by the employee. After 10 years of service, three weeks vacation is earned annually.

District policies provide that vacation time cannot be taken faster than it is earned and will be calculated on a pro-rata basis relative to time worked.

Employees do not have the option of working for extra compensation in lieu of taking vacations. Earned vacation time, generally, must be taken by October 31 of each year. An employee may carry over a maximum of five unused days to the next year. With the exception of the five days carried over, vacation time earned and not taken prior to October 31 is forfeited by the employee.

Sick Leave -

Employees who work six hours or more per day will be entitled to semi-unlimited sick leave. The District considers sick leave to be semi-unlimited in that contracts will most likely not be renewed for persons with a terminal or serious illness.

Part-time employees who work less than six hours daily will receive ten days of sick leave annually. Sick leave is not accumulative.

Personnel absent from school because of personal illness will receive full pay for a limited period as approved by the Board of Education. Sick leave may last up to four months at which time the long-term disability plan will be implemented providing the employee qualifies for this benefit.

Compensated balances are those absences for which employees will be paid such as vacation and sick leave.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

District policies do not allow for the accumulation by employees of significant amounts in either vacation or sick leave. Vacation and sick leave are charged to operations as they are incurred. As a result of District policies, no provision is made in the financial statements for unused leave which at any point in time would not be material.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums, discounts, and issuance costs, if material are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. If material, bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data and Reclassifications – comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

NOTE 2: CASH AND INVESTMENTS

The District maintains a cash and investment pool, which includes the cash accounts and several investments.

The District's deposit and investment policy is to follow the Utah Money Management Act. However, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the District had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ (1,280,060)
State Treasurer's investment pool	<u>14,718,195</u>
	<u>\$ 13,438,135</u>

Interest rate risk. The District manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2005 the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit Risk. The District investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005 none of the deposits was exposed to custodial credit risk because it was uninsured or uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ (1,280,060)
Utah State Treasurer's investment pool account	<u>14,718,195</u>
Total cash and investments	<u>\$ 13,438,135</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 17,581,481
Negative cash balances	(4,567,994)
Cash and investments – student activities agency fund	<u>424,648</u>
Total cash and investments	<u>\$ 13,438,135</u>

NOTE 3: PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Iron County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2005, all property taxes receivable by the District are delinquent and represent taxes assessed but uncollected for calendar year 2004 and earlier. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3: PROPERTY TAXES - CONTINUED

Beginning January 1, 1992 there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10-\$150 based on the age of the vehicle. The revenue collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes the age-based fee as revenue when the County collects it.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 4,421,468	\$	\$	\$ 4,421,468
Construction in progress			-	-
Total capital assets, not being depreciated	<u>4,421,468</u>	<u>-</u>	<u>-</u>	<u>4,421,468</u>
Capital assets, being depreciated:				
Buildings and improvements	65,963,653			65,963,653
Furniture and equipment	5,654,080	590,753		6,244,833
Total capital assets, being depreciated	<u>71,617,733</u>	<u>590,753</u>	<u>-</u>	<u>72,208,486</u>
Accumulated depreciation for:				
Buildings and improvements	(13,153,558)	(1,649,091)		(14,802,649)
Furniture and equipment	(3,180,022)	(564,213)	169,033	(3,575,202)
Total accumulated depreciation	<u>(16,333,580)</u>	<u>(2,213,304)</u>	<u>169,033</u>	<u>(18,377,851)</u>
Total capital assets, being depreciated, net	<u>55,284,153</u>	<u>(1,622,551)</u>	<u>169,033</u>	<u>53,830,635</u>
Governmental activities capital assets, net	<u>\$ 59,705,621</u>	<u>\$ (1,622,551)</u>	<u>\$ 169,033</u>	<u>\$ 58,252,103</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instructional services	\$ 1,730,155
Supporting services:	
District administration	49,841
Business	18,128
School Lunch Services	6,458
Operation and maintenance of facilities	135,584
Transportation	273,138
	<u>\$ 2,213,304</u>

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5: RETIREMENT PLANS

Plan Description. The Iron County School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the Iron County School District is required to contribute 8.89% of their annual covered salary. In the State and School Noncontributory Retirement System the Iron County School District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Iron County School District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$18,838, \$17,141, and \$16,135 respectively and for the Noncontributory Retirement System the contributions for June 30, 2005, 2004, and 2003 were \$2,884,300, \$2,542,416 and \$2,481,654 respectively. The contributions were equal to the required contributions for each year.

NOTE 6. DEFERRED COMPENSATION PLANS

The District offers a deferred compensation plan to all its employees under a plan administered by the Utah State Retirement Office established in accordance with Internal Revenue Code Section 457. Employees are permitted to defer a portion of their salary until future years.

The assets and income of the 457 Plan are held in trust by the Utah State Retirement Office for the exclusive benefit of the participants or their beneficiaries and are not assets of the District.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7. LONG-TERM DEBT:

The following table summarizes bond activity of the Iron County School District for the year ended June 30, 2005:

<u>Bond Issues</u>	<u>Date</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
School Building Bonds	4/1/94	\$ 1,430,000	\$	\$ 1,430,000	\$
School Building Bonds	9/15/97	18,685,000		155,000	18,530,000
School Building Bonds	6/15/98	8,275,000		1,800,000	6,475,000
School Refunding Bonds	4/15/03	3,370,000		470,000	2,900,000
School Refunding Bonds	3/4/04	19,810,000		265,000	19,545,000
Total		\$51,570,000	\$	\$ 4,120,000	\$47,450,000

The annual requirements to retire outstanding bonds as of June 30, 2005, including interest payments are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Total</u> <u>Interest</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Debt Service</u>
2006	\$ 2,059,714	\$ 4,480,000	\$ 6,539,714
2007	1,859,972	4,630,000	6,489,972
2008	1,650,814	4,765,000	6,415,814
2009	1,431,202	5,015,000	6,446,202
2010	1,234,876	5,220,000	6,454,876
2011	1,009,400	5,455,000	6,464,400
2012	758,612	5,700,000	6,458,612
2013	512,762	5,955,000	6,467,762
2014	249,200	6,230,000	6,479,200
	\$10,766,552	\$47,450,000	\$58,216,552

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7. LONG-TERM DEBT - CONTINUED

The District's general long-term debt consists of the following:

\$19,215,000 Series 1997 School Building Bonds payable in annual installments with interest of 3.80% to 5.75% paid semi-annually	\$18,530,000
\$32,000,000 Series 1998 School Building Bonds payable in annual installments with interest of 4% to 5% paid semi-annually	6,475,000
\$3,855,000 Series 2003 Refunding Bonds payable in annual installments with interest of 2% to 3% paid semi-annually	2,900,000
\$19,810,000 Series 2004 General Obligation Refunding Bonds payable in annual installments with interest of 2.5% to 4% paid semi-annually	<u>19,545,000</u>
Total Bonds Payable	<u>\$ 47,450,000</u>

During the fiscal year ended June 30, 2003, the District effected an advance refunding with General Obligation Refunding Bonds-Series 2003. These bonds were issued April 1, 2003. The transaction is considered to be an advanced refunding in that the proceeds of the new bonds have been placed in an irrevocable escrow controlled by the trust department of Wells Fargo Bank Northwest, N.A. These proceeds will be used to defease \$2,100,000 of General Obligation Bonds-Series 1993 and \$1,535,000 of General Obligation Bonds-Series 1994 previously issued by the District. The amounts placed in escrow have been invested in US Treasury state and local government series obligations.

The amounts placed in escrow will be sufficient to pay debt service on the refunded bonds with a payment of \$2,100,000 to be made on July 15, 2003 and \$1,535,000 on January 15, 2006 to pay off the outstanding balance of the Series 1993 and Series 1994 bonds as of that date. The present value of the amounts placed in escrow equal the present value of the remaining debt service on the refunded bonds.

The refunded bonds bear interest of 5.1% to 6% with the refunding bonds bearing interest of 2% to 3%. The net present value of the savings benefit is \$147,675.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7. LONG-TERM DEBT - CONTINUED

In accordance with generally accepted accounting principles concerning advanced refunding of bonds, the defeased portions of the Series 1993 and Series 1994 bonds as well as the irrevocable escrow are not reported by the District. The refunding bonds have been included in general long term debt.

During the fiscal year ended June 30, 2004, the District effected an advance refunding with the issuance of \$19,810,000 of Series 2004 General Obligation Refunding Bonds dated March 4, 2004. The transaction is considered to be an advanced refunding in that the proceeds of the new bonds have been placed in an irrevocable escrow controlled by the trust department of Wells Fargo Bank Northwest, N.A. These proceeds will be used to defease \$18,475,000 of the Series 1998 School Building Bonds previously issued by the District. The amounts placed in escrow have been invested in US Treasury state and local government series obligations.

The amounts placed in escrow will be sufficient to pay debt service on the refunded bonds with a payment of \$18,475,000 to be made on July 15, 2008. The present value of the amounts placed in escrow equal the present value of the remaining debt service on the refunded bonds.

The refunded bonds bear interest of 5% with the refunding bonds bearing interest of 2.5% to 4%. The net present value of the savings benefit is \$610,257.

In accordance with generally accepted accounting principles concerning advanced refunding of bonds, the defeased portion of the Series 1998 bonds as well as the irrevocable escrow are not reported by the District. The refunding bonds have been included in general long-term debt.

NOTE 8: JOINT VENTURES

As disclosed in Note 1 to the financial statements, the District acts as fiscal agent for the Southwest Educational Development Center (SEDC). SEDC meets the definition of a joint venture with an ongoing financial responsibility. SEDC files separate financial statements and transactions of SEDC are not included in the District's financial statements. The following information is provided concerning the structure and purposes of SEDC and its relationship to the District.

SEDC:

SEDC was organized to provide media support and educational services to the Iron, Millard, Beaver, Garfield, Washington, and Kane County school districts as well as Southern Utah University and Dixie State College. Services provided by SEDC include computer and VCR repair, technology support, and regional special education and reading specialist services.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8: JOINT VENTURES – CONTINUED

The SEDC governing board consists of the superintendents of the school districts served and the presidents of Southern Utah University and Dixie State College.

Financial Information:

As of June 30, 2005 SEDC reported assets of \$721,030 with liabilities totaling \$70,537. Undesignated fund balance and reserve for inventory totaled \$650,493. Revenues for the year ending June 30, 2005 were \$2,059,665 with total expenditures of \$1,633,511. Revenues were received from federal, state, and local sources.

NOTE 9: RELATED PARTY TRANSACTIONS

The District purchases services and supplies from both the Southwest Educational Development Center (SEDC) and the Southwest Applied Technology College (SWATC). For the year ending June 30, 2005, the District's purchases from SEDC totaled \$138,754 and from SWATC, \$490.

Financial Statements:

Financial statements of SEDC and SWATC may be obtained by contacting the directors of each entity at their respective offices located at 520 West 800 South and 510 West 800 South, Cedar City, Utah.

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the District's participation in the State Risk Management system for school districts. This is a pooled arrangement where the districts pay experienced rated annual premiums which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11: GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 12: DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the following fiscal year's total general fund budgeted revenues. The expenditure of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

NOTE 13: SUBSEQUENT EVENTS

Subsequent to year end, the District issued \$23,500,000 in General Obligation School Building Bonds – Series 2005. The bonds will be used for the construction of new school buildings.

The bonds bear interest of 3.5% to 5% and payments of principal and interest begin January of 2006.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

IRON COUNTY SCHOOL DISTRICT
Comparative Balance Sheet
General Fund
Years Ended June 30, 2005 and 2004

	2005	2004
	General	General
Assets:		
Cash and investments	\$ 13,661,578	\$ 12,634,902
Inventories	215,785	272,554
Property taxes receivable	533,914	388,573
Receivables-other	3,317,494	2,072,591
Total assets	<u>\$ 17,728,771</u>	<u>\$ 15,368,620</u>
Liabilities and fund balances:		
Liabilities:		
Cash with Negative Balances	\$ 4,567,994	\$ 3,395,438
Accounts payable	756,692	923,639
Accrued salaries	1,774,048	1,707,437
Total Liabilities	<u>7,098,734</u>	<u>6,026,514</u>
Fund Balances:		
Reserved for:		
Designated	6,881,178	6,187,790
Debt service	-	-
Unreserved:		
Designated for:		
Undistributed reserve	1,200,000	900,000
Inventories	215,785	272,554
Undesignated, reported in:		
General fund	2,333,074	1,981,762
Capital projects fund	-	-
Total fund balances	<u>10,630,037</u>	<u>9,342,106</u>
Total liabilities and fund balances	<u>\$ 17,728,771</u>	<u>\$ 15,368,620</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Comparative Balance Sheet
Capital Projects Fund
Years Ended June 30, 2005 and 2004

	2005	2004
	General	General
Assets:		
Cash and investments	\$ 2,255,755	\$ 3,669,693
Inventories	-	-
Property taxes receivable	145,578	119,039
Receivables-other	554,801	-
Total assets	<u>\$ 2,956,134</u>	<u>\$ 3,788,732</u>
Liabilities and fund balances:		
Liabilities:		
Cash with Negative Balances	\$ -	\$ -
Accounts payable	429,568	34,788
Accrued salaries	4,373	2,817
Total Liabilities	<u>433,941</u>	<u>37,605</u>
Fund Balances:		
Reserved for:		
Designated	2,400,000	3,525,000
Debt service	-	-
Unreserved:		
Designated for:		
Undistributed reserve	122,193	226,127
Inventories	-	-
Undesignated, reported in:		
General fund	-	-
Capital projects fund	-	-
Total fund balances	<u>2,522,193</u>	<u>3,751,127</u>
Total liabilities and fund balances	<u>\$ 2,956,134</u>	<u>\$ 3,788,732</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Comparative Balance Sheet
Debt Service Fund
Years Ended June 30, 2005 and 2004

	<u>2005</u> <u>General</u>	<u>2004</u> <u>General</u>
Assets:		
Cash and investments	\$ 951,730	\$ 818,844
Property taxes receivable	438,362	360,452.00
Receivables-other		
Total assets	<u>\$ 1,390,092</u>	<u>\$ 1,179,296</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	<u>6,938</u>	<u>1,877</u>
Total Liabilities	<u>6,938</u>	<u>1,877</u>
Fund Balances:		
Reserved for:		
Debt service	1,383,154	1,177,419
Unreserved:		
Total fund balances	<u>1,383,154</u>	<u>1,177,419</u>
Total liabilities and fund balances	<u>\$ 1,390,092</u>	<u>\$ 1,179,296</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Non K-12 Programs</u>	<u>School Lunch</u>	
Assets:			
Cash and investments	\$ 275,392	\$ 437,026	\$ 712,418
Inventories		70,530	70,530
Property taxes receivable	110,680		110,680
Receivables-other	329,929	49,661	379,590
Total assets	<u>\$ 716,001</u>	<u>\$ 557,217</u>	<u>\$ 1,273,218</u>
Liabilities:			
Cash with Negative Balances	\$ -	\$ -	\$ -
Accounts payable	15,645	1,742	17,387
Accrued salaries	72,470	36,602	109,072
Due to other funds			-
Total liabilities	<u>88,115</u>	<u>38,344</u>	<u>126,459</u>
Fund balances:			
Reserved for Inventories	-	70,530	70,530
Designated for	275,588	-	275,588
Unreserved, undesignated	352,298	448,343	800,641
Total fund balances	<u>627,886</u>	<u>518,873</u>	<u>1,146,759</u>
Total liabilities and fund balances	<u>\$ 716,001</u>	<u>\$ 557,217</u>	<u>\$ 1,273,218</u>

IRON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2005

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Non K-12 Programs</u>	<u>School Lunch</u>	
Revenues:			
Property taxes	\$ 503,364	\$ -	\$ 503,364
Earnings on investments	1,215		1,215
Other local sources	324,423	725,570	1,049,993
State aid	576,478	228,804	805,282
Federal aid	311,735	1,182,618	1,494,353
Total revenues	<u>1,717,215</u>	<u>2,136,992</u>	<u>3,854,207</u>
Expenditures:			
Instruction	1,311,017		1,311,017
Community Services	337,688		337,688
School Lunch Services		2,098,300	2,098,300
Total expenditures	<u>1,648,705</u>	<u>2,098,300</u>	<u>3,747,005</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,510</u>	<u>38,692</u>	<u>107,202</u>
Other financing sources (uses):			
Transfers in from Other Funds			-
Transfers out to Other Funds			-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	68,510	38,692	107,202
Fund balances - beginning	<u>559,376</u>	<u>480,181</u>	<u>1,039,557</u>
Fund balances - ending	<u>\$ 627,886</u>	<u>\$ 518,873</u>	<u>\$ 1,146,759</u>

IRON COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Student Activities Agency Fund
Year Ended June 30, 2005

	<u>Net Assets at June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at June 30, 2005</u>
Assets:				
Cash and investments	<u>\$ 334,235</u>	<u>\$ 2,590,794</u>	<u>\$ 2,500,381</u>	<u>\$ 424,648</u>
Liabilities:				
Due to student organizations:				
East Elementary	11,850	57,238	57,210	11,878
North Elementary	7,380	55,740	53,619	9,501
South Elementary	3,191	81,120	79,485	4,826
E. Valley Elementary	654	8,526	8,454	726
Enoch Elementary	4,343	71,837	70,279	5,901
Fiddlers Elementary	9,421	73,296	76,406	6,311
Parowan Elementary	10,073	68,085	67,273	10,885
Cross Hollows	38,121	182,841	191,795	29,167
Cedar Middle School	28,728	297,864	295,700	30,892
Cedar High School	92,787	737,468	657,905	172,350
Parowan High School	47,252	266,404	259,763	53,893
CanyonView High School	76,452	682,054	671,841	86,665
SEA	3,985	8,321	10,651	1,655
Total liabilities	<u>\$ 334,235</u>	<u>\$ 2,590,794</u>	<u>\$ 2,500,381</u>	<u>\$ 424,648</u>

SINGLE AUDIT SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Board of Education
Iron County School District
Cedar City, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iron County School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iron County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Iron County School District in a separate letter dated December 1, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iron County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the Iron County School District in a separate letter dated December 1, 2005.

This report is intended solely for the information and use of the management of the Iron County School District, and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 28, 2005

Wilson & Company

Certified Public Accountants / A Professional Corporation

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Board of Education
Iron County School District
Cedar City, Utah

Compliance

We have audited the compliance of the Iron County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Iron County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Iron County School District's management. Our responsibility is to express an opinion on the Iron County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Iron County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Iron County School District's compliance with those requirements.

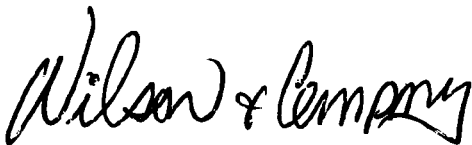
In our opinion, the Iron County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Iron County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Iron County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Iron County School District management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these intended parties.



WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 28, 2005

IRON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Iron County School District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Auditor's report on Internal Control and Compliance With Laws and Regulations.
3. No instances of noncompliance material to the financial statements of the Iron County School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Iron County School District expresses an unqualified opinion.
6. There were no findings relative to the major federal award programs for the Iron County School District.
7. The programs tested as major programs include: National School Lunch programs - CFDA numbers 10.550, 10.555 and 10.553, Title 1 Basic - CFDA number 84.010A, I.D.E.A. P.L. -101-17 - CFDA number 84.027 A, SAMS Grant, CFDA number 84.215 K, NCLB Teacher Quality and Eye programs - CFDA number 84.367
8. The threshold for distinguishing Type A programs is the larger of \$300,000 or 3% of all federal awards expended. Type B programs are those which are the larger of \$100,000 or 3% or total federal awards expended.
9. The Iron County School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

IRON COUNTY SCHOOL DISTRICT
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

<u>Federal Assistance Programs</u>	<u>CFDA Number</u>	<u>Grantor Agency</u>	<u>Direct or Indirect</u>	<u>Amount of Expenditures</u>
<u>Agency\Program Grant Title</u>				
<u>Department of Agriculture:</u>				
National School Breakfast Program	10.553	USOE	Indirect	* \$ 189,538
National School lunch Program	10.555	USOE	Indirect	* 866,983
USDA Commodities - Food Donation	10.550	USOE	Indirect	126,097
Total Department of Agriculture				<u>1,182,618</u>
<u>Department of Education:</u>				
Adult Education English Language/Civics Grant	84.002	USOE	Indirect	20,486
Adult Education	84.002A	USOE	Indirect	98,249
E.S.E.A. Chapter I - Basic Grant	84.010A	USOE	Indirect	* 2,439,366
Migrant Education - State Grant Program	84.011A	USOE	Indirect	10,000
No Child Left Behind - Neglected & Delinquent	84.013A	USOE	Indirect	27,838
I.D.E.A., Part B, Special Education Grants to States	84.027A	USOE	Indirect	* 1,278,159
I.D.E.A. Specal Education Local Capacity Building and Improvement	84.027A	USOE	Indirect	* 17,626
Indian Education - Grants to Local Educational Agencies	84.060A	USDept.of.Education	Direct	39,880
Carl D. Perkins Vocational and Technical Education	84.048A	USOE	Indirect	266,668
I.D.E.A., Part B, Peschool Special Education	84.173A	USOE	Indirect	55,832
No Child Left Behind - Title IV, Part A, Safe & drug free schools	84.186A	USOE	Indirect	77,748
No Child Left Behind - Homeless	84.196A	USOE	Indirect	31,148
No Child Left Behind - Even Start	84.213C	USOE	Indirect	185,695
SAMS - Student Achievment	84.215K	USOE	Indirect	* 531,992
Teaching American History	84.215X	USDept.of.Education	Direct	* 84,375
No Child Left Behind - Title V, Part A, Innovation Programs	84.298	USOE	Indirect	35,664
No Child Left Behind - Title II, Part D, Educational Technology	84.318	USOE	Indirect	40,625
No Child Left Behind - English Language Acquisition	84.365A	USOE	Indirect	32,231
No Child Left Behind - Teacher Quality	84.367	USOE	Indirect	* 387,365
Total Department of Education				<u>5,660,947</u>
<u>Corporation for National and Community Service:</u>				
Learn and Serve America - Community Based Programs	94.004		Direct	15,850
Total Corporation for National and Community Service				<u>15,850</u>
Total Federal Assistance				<u>\$ 6,859,415</u>

* Denotes a Major Program

IRON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED June 30, 2005

NOTE 1: PURPOSE OF THE SCHEDULE

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Iron County School District. The District reporting entity is defined in Note 1 to the District's government-wide financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's government-wide financial statements.

Noncash Federal Financial Assistance

Noncash federal awards are determined by commodities received during the year, expressed at market value. School districts participating in the USDA Food Distribution Program during the 2004-05 year were sent a monthly report by the state detailing market value of USDA goods received for the month. Noncash federal awards are based on these reports.

CFDA Numbers

OMB Circular A-133 requires the schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

SUPPLEMENTAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

IRON COUNTY SCHOOL DISTRICT AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS For the Year Ended June 30, 2005

Honorable Board of Education
Iron County School District

We have audited the general purpose financial statements of the Iron County School District, for the year ended June 30, 2005 and have issued our report thereon dated November 28, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major State assistance programs from the State of Utah:

STATE OFFICE OF EDUCATION

Minimum School Program	State Liquor Control Tax-Lunch Programs
Special Education - Add on	Smalls Schools
Special Education - Pre - School	Professional Staff Costs
Applied Technology - Add on	Special Education - Self Contained
Reading Achievement	Youth in Custody
Class Size Reduction K-8	Discretionary Block Grant
Social Security and Retirement	Pupil Transportation
Quality Teaching Block Grant	Administrative Costs
School Land Trust Program	Interventions for Student Success
Bonus	

Our audit also included test work on the District's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Liquor Law Enforcement
- Other Compliance Requirements

The management of the Iron County School District, is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the District's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Iron County School District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 28, 2005

Wilson & Company

Certified Public Accountants / A Professional Corporation

December 1, 2005

Honorable Board of Education
Iron County School District
Cedar City, Utah

We have examined the financial statements of the Iron County School District for the year ended June 30, 2005, and have issued our report thereon dated November 28, 2005. As part of our examination, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Iron County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Iron County School District taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the District's further attention.

Fixed Asset Management System

We noted during our exam that the fixed asset management system used by the District had not been updated throughout the year. This situation caused delays in having the required fixed asset financial information available for the annual financial statements of the District.

We suggest that the District devote the required clerical time and effort to maintain the fixed asset management system on a monthly basis so that the system may be kept current and that undue delays in year-end financial reporting may be avoided.

Cash Management

We noted during the year that the cash cutoff date was not at June 30. Not having the cutoff date at June 30 created the need to make some minor adjustments to arrive at the June 30 balances.

We suggest that the District use a strict cutoff date of June 30 for all transactions. Any revenue received after that date would be included in accounts receivable and any expenditure subsequent to June 30 would be included in accounts payable.

Outstanding Checks

We noted that the District is carrying a small amount of very old outstanding checks on the bank reconciliation.

While small in amount, these checks should be voided and cleared from the bank reconciliation.

Treasurer's Bond

While in compliance for the year ending June 30, 2005, we noted that with the receipt of the proceeds of the new bond issue in fiscal 2006, that the District's treasurer's bond will be lower than the amount required by law.

We suggest the District review this matter with its bonding agent to ascertain whether the District can remain in compliance for the 2005-2006 fiscal year.

Request for Federal Funds

We noted that there were delays in the requesting of federal funds.

We suggest that this situation be corrected immediately. Since District funds must be spent before reimbursement, delaying a request for federal funds costs the District money in the form of lost interest.

Federal Grant Administration

As noted in prior exams, the administration of federal grants was not as centrally monitored as it could be.

We suggest that the District take immediate action to centralize the administration, monitoring, and oversight of all federal grants. Grant information such as the initial grant application and acceptance document, the rules and regulations governing the grant, budget versus actual reports, correspondence, and requests for reimbursement should be controlled by someone with oversight and reporting responsibilities directly to District management.

Doing so will enhance the control and administration of all federal funds.

School Activity Funds

During our exam we noted that no formal policies exist to help District staff monitor and control student activity funds.

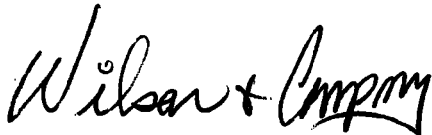
We suggest that the District create formal policies and procedures concerning student activity funds which would limit investment options to PTIF accounts only and require that the District approve any investment of funds. In addition, the District should carefully review activity in the bank statements and PTIF accounts monthly for appropriateness.

The previous conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the District's June 30, 2005, financial statements.

Our comments are intended to be constructive in nature. The absence of positive or complementary comments does not imply that the District operates in an inefficient or ineffective manner. We welcome the opportunity to discuss these conditions in further detail and express our appreciation to the staff for their assistance during the examination.

This report is intended solely for the use of management and the Utah State Auditors Office and should not be used for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Wilson & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

WILSON & COMPANY
Certified Public Accountants



IRON COUNTY SCHOOLS

CREATING A BETTER TOMORROW FOR ALL

2077 W. Royal Hunte Dr. • Cedar City, Utah 84720 • (435) 586-2804 • Fax (435) 586-2815

December 15, 2005

Utah State Auditor
211 State Capitol
Salt Lake City, Utah 84114

RE: Response to Audit Recommendations

We have received the management letter from our independent auditors and are responding to their suggestions as follows:

FIXED ASSET MANAGEMENT SYSTEM

This past year was an abnormally bad one for us in that we had almost every one of our secretaries out at one time or another with long-term illnesses or surgeries. We didn't do a good job of keeping as current as we should have been with our fixed asset system. It therefore required us to make a major push at year-end to catch up. We don't anticipate this type of a year again. However, we are also employing additional help in our office to address this issue.

CASH MANAGEMENT

The district will follow the recommendation of the auditor and have a strict cutoff date of June 30 for all transactions.

OUTSTANDING CHECKS

The district will properly handle the removal of the old outstanding checks currently listed on the bank reconciliation.

TREASURER'S BOND

The district will evaluate the legal bonding requirements for the business administrator and make the appropriate adjustments.

REQUEST FOR FEDERAL FUNDS

The district continues to work at improving this area. We anticipate employing additional staff and making some work assignment adjustments to improve the process of requesting federal reimbursements.

FEDERAL GRANT ADMINISTRATION

The district put in place a central database of federal and state grant related documentation that has improved the management and reporting of federal and state grants. This was done as a result of recommendations made by our auditor last year. The suggestion now is that a specific person be assigned to handle federal grants from beginning to end. Our auditor made this suggestion to our Board of Education and they are currently reviewing it.

SCHOOL ACTIVITY FUNDS

The district currently asks schools to only invest excess funds in the PTIF. We will work with our Board of Education to put that in formal policy. Schools are already required to submit copies of their financial reports and bank reconciliations monthly and our district staff reviews these.

Sincerely,

A handwritten signature in black ink, appearing to read "Kent F. Peterson", with a stylized, flowing script.

Kent F. Peterson
School Business Administrator

